



# **Large Companies' Relevance in Trade Missions: Impact on SMEs**

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## **A Qualitative Study on Portuguese Trade Missions**

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# **ABSTRACT**

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Sofia Bernardo Fernandes Martins da Silva

Competing in international markets used to be almost exclusive of large companies. Nowadays, this idea is utterly outdated and the internationalization of small and medium-sized enterprises is the order of the day. Governments acknowledged the importance of helping these companies in their path towards external markets, especially in the current moment, in which the effects of the European debt crisis are affecting the business community. Trade missions are part of the export promotion programs – state-owned or private - which have the ultimate goal of leveraging internationalization of firms. This dissertation intends to go deeper in the research on trade missions, trying to understand the role of large firms and their possible contributions for these export promotion tool. For that purpose, interviews were conducted to Portuguese export promotion agencies, large companies and SMEs. It was observed large companies are frequent participants of these events and they help in the promotion of the missions both in Portugal and in the host countries, having a similar role to government members. Despite that, we found small and medium-sized enterprises do not have much direct benefits from the interaction with larger companies. Networking between large firms and SMEs has much more potential than what is verified in current trade missions and should be encouraged.

## RESUMO

### **Relevância das Grandes Empresas em Missões Comerciais: Impacto nas PME**

#### **Um Estudo Qualitativo sobre Missões Comerciais Portuguesas**

Sofia Bernardo Fernandes Martins da Silva

Competir em mercados internacionais costumava ser algo exclusivo das grandes empresas. Contudo, hoje em dia, esta ideia está ultrapassada e a internacionalização das pequenas e médias empresas é uma prioridade. Os governos de vários países reconheceram a importância de apoiar estas empresas na sua entrada em mercados externos, principalmente neste momento em que a crise da Zona Euro está a afetar a comunidade empresarial. As missões comerciais fazem parte dos programas de apoio às exportações - de carácter público ou privado - cujo principal objetivo é fornecer incentivos à internacionalização das empresas. A presente dissertação pretende aprofundar o estudo sobre missões comerciais, tentando compreender o papel das grandes empresas e as suas possíveis contribuições para esta ferramenta de apoio às exportações. Para este efeito, foram realizadas entrevistas a agências de promoção de exportações, a representantes de grandes empresas e a representantes de PME portuguesas. Observou-se que as grandes empresas são participantes assíduas neste tipo de missões e que são úteis para a promoção das mesmas, tanto em Portugal como no país de destino, tendo uma função semelhante à dos membros do governo. Apesar disto, verificou-se que as pequenas e médias empresas não estão a retirar benefícios diretos significativos da interação com as grandes empresas. O *networking* entre grandes empresas e PME tem um potencial bastante mais elevado do que o verificado nas missões comerciais atuais e deverá ser incentivado.

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# 1. INTRODUCTION

In a world where globalization is not a novelty anymore, internationalization is a natural option for many firms. With this phenomenon many opportunities arose but, at the same time, there are multiple challenges for the firms that aim to invest across borders.

Due to its characteristics, small and medium-sized enterprises (SMEs) are frequently in an unfavorable position if they want to compete internationally. The uncertainties of the exporting enterprise, ignorance about foreign markets and the daunting nature of exporting processes might be the reason for it (Wilkinson and Brouthers, 2000).

In order to decrease the obstacles that firms face, in the last decades, Governments from many countries provided support to firms through export promotion programs (EPP). These programs intend to reduce the uncertainty that companies face when entering a different market, providing them information about the markets, promoting their participation in trade fairs, shows and missions and helping them to establish business contacts (Martincus and Carballo, 2010). As stated, trade missions are an instrument to promote international trade. They consist in organized international visits that allow businesspeople to be in direct contact with a foreign market, combining a deeper knowledge about that market and networking with local people.

Because of the fewer resources that SMEs have, many trade missions target companies of this size. However large firms also participate. According to Spence and Crick (2004), in the UK the larger firms are used as “flagships” to increase the visibility of the trade mission and can be perceived as role models, providing additional learning experience for SMEs. Yet, there are no studies that confirm the success and relevance of this strategy both for SMEs and large enterprises as well as for the promotion of the trade missions.

Thus, the objective of this dissertation is to contribute for the research on trade missions by answering the following question:

***To what extent does an SME benefit from participating in a trade mission with large companies?***

- Are there significant advantages in the promotion of the trade mission? - Is it more difficult to promote a trade mission only with SMEs?

- What are the objectives of the different firms in participating in trade missions?
- Do SMEs take advantage in participating with larger firms regarding networking?

For this purpose it will be analyzed outgoing trade missions from Portugal.

The relevance of this study arises in a context in which the recent Portuguese Governments have been investing in commercial diplomacy as a way of promoting the national economy during the current financial crisis. This is a trend not only in Portugal but in many European Union member states that want to take advantage from the BRIC economies and other developing countries (Frontini, 2013).

### **1.1. Dissertation Structure:**

This dissertation will start by presenting an overview of the existing literature on the internationalization of companies and the programs available to help them in this process. Since there is no specific study directly related with the topic proposed to study, we opted to contextualize trade missions as export promotion tools. In order to do that, this theoretical chapter will start with an overview of what drives firms to internationalize and the main barriers they face - it is given a special attention to SMEs. The following topics will focus on the support for the internationalization of companies: commercial diplomacy, export promotion programs and, of course, trade missions - it will be given insights into their role and effectiveness. As this dissertation intends to classify companies regarding their size, we also will present an outlook on the findings related to company size, export performance and the effectiveness of EPPs concerning the dimension of the companies helped by these tools. We conclude this chapter with final considerations on the relevance of the topic under analysis.

Then, following a qualitative approach, interviewing representatives both from the supply (organizers of trade missions, namely AICEP – the Portuguese export promotion agency) and the demand (firms participating in trade missions), it is going to be discussed the role large companies have in trade missions as well as the perception SMEs have about the usefulness of their presence in these events. For that purpose, we analyze different trade missions with different structures: institutional trade missions, which combine large companies, SMEs and government members or the President of the Portuguese Republic, and non-institutional trade missions that are composed mainly by

SMEs. After the presentation of the results, we will discuss our findings and answer the research questions. The final chapters correspond to the conclusion, the limitations of this dissertation and suggestions for further research.

## 2. LITERATURE REVIEW

The literature review is an essential part of an academic article as it creates a strong foundation for advancing knowledge and it facilitates theory development and the identification of research gaps (Webster and Watson, 2002).

This chapter intends to give an overview about trade missions and the motives that led companies to apply for this export promotion tool. To do so, we started from a broader concept: internationalization and, then, zoomed into commercial diplomacy and trade missions. The relationship between firms' size and their export performance is also explored in the present chapter.

### 2.1. Internationalization of firms: main drivers

The globalization of business is a source of opportunities both for large and small firms but it is also a threat, since companies have to cope with international competition (Gankema et al., 2000). The internationalization process is beneficial both for the company and for the national and local economy as it may generate economies of scale in local companies as well as growth and employment (Casino et al., 2013). Global integration in product, capital and labor markets has resulted in a more efficient allocation of economic resources over time (World Trade Organization, 2008).

Focusing on the factors that encourage companies to enter in foreign markets, Czinkota et al. (2004) defined a list of motivations that are behind this strategy, dividing them in two groups: 1) *proactive motivations*, reflecting the willingness of the firm's management of achieving a profit advantage, technological advantage, product advantage, exclusive market information, or managerial urge; 2) *reactive motivations*, the responses of management to environmental changes and pressures in the business environment. Using a different approach, Johnson et al. (2008) identified four drivers to internationalization:

- *Market drivers*: similar needs and tastes among consumers all over the world; the presence of global customers; and transferable marketing, which means brands being marketed in a similar way across the world;

- *Cost drivers*: scale economies; country specific differences, such as labor cost; and favorable logistics;
- *Government drivers*: trade policies, technical standards and host government policies that can both facilitate or inhibit internationalization;
- *Competitive drivers*: the phenomenon of globalization led to interdependence between countries and to the presence of globalized competitors.

The European Commission (2014) highlighted motives that boost the current wave of globalization: an unprecedented lowering of trade barriers worldwide; vastly improved logistics and communications systems available to all companies; the information technology revolution which has opened the way for great technology and knowledge exchanges and the advent of new types of economic transactions such as e-commerce.

## **2.2 Export Barriers**

Leonidou (2004, p. 281) defined export barriers as “*all those constraints that hinder the firm’s ability to initiate, develop or sustain business operations in overseas markets*”. There are many studies that aim to identify these constraints. Based on previous literature, Spence and Crick (2004) classify export barriers as motivational - linked to the perceived risks of doing business in foreign markets -, informational - related to the lack of knowledge the firm possesses about foreign markets - and operational - issues associated with implementing strategies and lack of export resources. Other studies categorize the barriers as internal or external to the company (e.g. Kahiya, 2013; Leonidou, 2004). The internal barriers are associated with the firm’s resources and capabilities and managerial orientation towards internationalization. In turn, external barriers are related to the environment both of the host and the home country.

Martincus et al. (2012) state that lack of information is one of the most relevant export barriers as firms tend to find it hard to locate and analyze foreign markets. Using a sample of companies participating in export promotion programs, Kneller and Pisu (2011) referred three central groups of market entry barriers: networks and marketing, legal and administrative procedures and cultural differences.

It is important to understand the obstacles companies face if they want to go to international markets because it illustrates both the possibilities and limitations of export promotion programs (Wilkinson and Brouthers, 2006).

### **2.2.1 Export barriers for small and medium-sized enterprises**

Calof (1994) found that the amount of variance explained by firm size on export behavior is modest and concluded that size, per se, does not constitute an obstacle for firms to become successful exporters. Nonetheless, there are studies that stress the relationship between firm size and its internal resources, stating that smaller firms are at disadvantage concerning internationalization (e.g. European Commission, 2014; Korsakienė and Tvaronavičienė, 2012; Martincus et al., 2012; OECD, 2009; Spence and Crick, 2004).

OECD (2009) reported the top barriers to internationalization of SMEs:

- *Shortage of working capital to finance exports;*
- *Limited information to locate/analyze markets;*
- *Inability to contact potential overseas customers;*
- *Lack of managerial time, skills and knowledge.*

The above mentioned barriers are in line with the research conducted by Korsakienė and Tvaronavičienė (2012) that aimed to explore the main motives and barriers restricting the internationalization of Lithuanian and Norwegian SMEs. Bureaucracy and intense competition abroad were two additional motives presented by these authors.

The European Commission (2014) established a difference between larger SMEs and micro enterprises. The first group considered “*other laws and regulations in foreign countries*” as the most important barrier, while the second type of firms cited “*lack of capital*” as the first obstacle.

### **2.3. Firm size and exports**

From the growing number of studies trying to explain firms’ export behavior and performance, size is one of the most commonly used variables. In addition, many studies analyze large firms and SMEs separately (Ruzzier and Ruzzier, 2015; Suh et al., 2011;

Zou and Stan, 1998). Even if there is no conclusive results in the literature, it seems to exist a positive relationship between firm size and exports (Wagner, 2001).

Majocchi et al. (2005) provided a validation on the hypothesis stating that firm size affects positively export performance – 1% increase in firm size leads to an increase of 8% in export intensity. Verwaal and Donkers (2002) also confirmed this relationship but what they found was that this relationship was moderated by the size of export relationships. Thus, according to this study, with sizeable export relationships, the competitive advantage is for the small firms, which take advantage of their flexibility. Wagner (2001), using a sample of German companies, demonstrated that the relationship between size and exports is not true for all industries. Zou and Stan (1998) conducted a review of the literature on export performance and found that firms' size tend to have a positive effect on export performance when measured by total firm sales and a negative effect, especially on export profit, when measured by number of employees. Suh et al. (2011) concluded that size, alone, does not explain why firms internationalize. According to them, the possession of specialized intangible assets are more critical for internationalization.

Large firms have characteristics that make the export process easier, such as economies of scale, more specialized executives, financial opportunities, benefits from bulk purchasing, own marketing department and sales force and also a higher margin for taking risks due to internal diversification (Wagner, 1995). Nevertheless, some characteristics of SMEs are also seen as advantageous for exporting, namely flexibility – they have a less rigid structure than large firms – regarding cost structure and concentration of authority, ability to avoid bureaucracy and to adapt easily to changing market environments and customer needs (Dass, 2010; Ruzzier and Ruzzier, 2015).

#### **2.4. Support for internationalization: The importance of commercial diplomacy and export promotion programs**

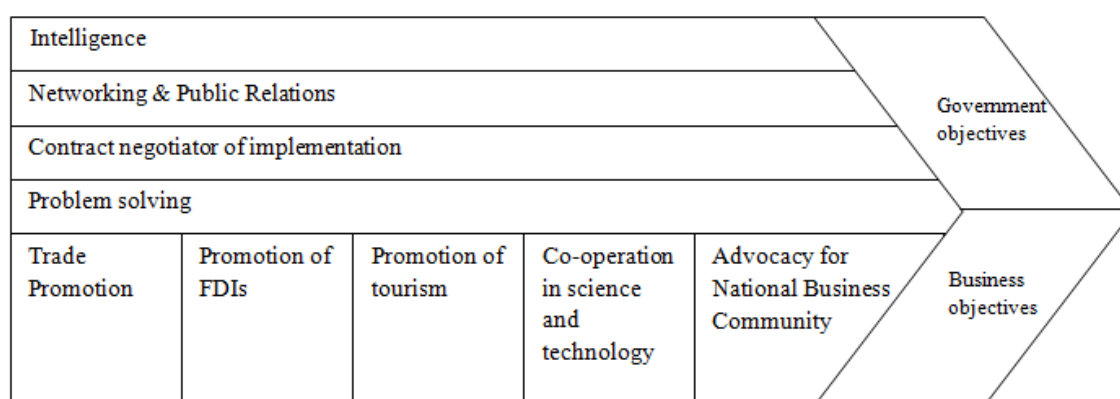
Almost all developed and most developing countries have strengthened their commitment to export marketing assistance programs and have developed full-fledged programs to enhance the export activity of firms located within their jurisdiction. (Gengtürk and Kotabe, 2001). In fact, in the last two decades, EPP have increased their number and weight in government's budgets (Freixanet, 2011).

### 2.4.1 The role of commercial diplomacy

Commercial diplomacy is a subject of importance for current governments (Naray, 2011; Ruël and Zuidema, 2012).

Kostecki and Naray (2007, p.1) defined this concept as “*a government service to the business community, which aims at the development of socially beneficial international business ventures*”. Another definition of commercial diplomacy is from Lee (2004, p.51): “*the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes*”.

Commercial diplomacy is a value creating-activity. Using Porter's value chain Kostecki and Naray (2007) distinguished the primary and support activities of commercial diplomacy, as represented below.



**Figure 1** Porter's value chain

Source: Kostecki and Naray (2007, p. 8)

Ruël and Zuidema (2012) identified four main activities of commercial diplomacy: 1) *intelligence*, 2) *assistance with fairs, trade missions and networking*, 3) *problem solving and assistance with trade disputes* and 4) *partner search and negotiation*.

Regarding the actors, economic and commercial diplomacy is primarily handled by the economy and trade ministers. Nevertheless non-state actors, nowadays, play a significant role in diplomacy (Saner and Yiu, 2003). Trade promotion organizations, chambers of commerce or consultants working with commercial diplomats are non-diplomatic institutions that accomplish business promotion tasks (Naray, 2008).



The main direct beneficiaries of commercial diplomacy are private business firms, from the home or the host country. Governments also benefit with this activity, even if indirectly, as successful companies may improve the country's and the government's image, as well as a successful government and country impact positively on business firms' image (Naray, 2008). Mercier (2007) referred the programs and services provided to potential exporters or to those seeking to expand further are generally focused on SMEs. Large companies are sometimes precisely target (Rana, 2002 cited in Mercier, 2007) for inward investment, due to the fact that major companies' investments are usually quite large and they might create a many jobs, which makes it more cost-effective for commercial diplomats. Anglo-Saxon commercial diplomats state they assist both SMEs and larger corporations. However, for the big businesses the emphasis is on public relations involving the host country's government and private sector personalities and, for the smaller companies, the services offered are more technical and diversified and less relationship based (Kostecki and Naray, 2007).

#### **2.4.2. Export Promotion Programs**

National export-promotion programs are government measures that help indigenous firms perform their export activities more effectively, acting as an external resource for the firms to gain knowledge and experience (Leonidou et al., 2011; Gengtürk and Kotabe, 2001). Therefore, EPPs aim to reduce the export barriers that firms face, providing them foreign market information, financial support and also motivating them to export and to explore foreign markets (Shamsuddoha et al., 2009).

Kotabe and Czinkota (1992) divided the EPPs in two broad categories i) *export service programs*, such as seminars for potential exporters, export counseling, how-to-export handbooks and export financing; 2) *market development programs*, like dissemination of sales leads to local firms, participation in foreign trade shows, preparation of market analysis and export newsletters. Lederman et al. (2006) identified two more activities performed by export promotion agencies (EPAs): *country image building* (advertising, promotional events and advocacy) and *market research and publications*. In turn, Durmuşoğlu et al. (2011) defined two areas in which EPPs can help firms, *objective knowledge* and *experiential knowledge* – where trade missions are included.

Regarding the importance and effectiveness of EPPs, some authors establish a relationship between the use of EPPs and the resources and capabilities of the firms (Leonidou et al., 2011; Shamsuddoha et al., 2009), stating EPPs affect the export performance of firms in a positive way, especially in the case of SMEs, since they enhance their internal resources and capabilities. Recent studies converge about the impact of EPPs and EPAs. Rose (2007), using a bilateral gravity model of trade, found that the presence of foreign missions (embassies and consulates) is positively correlated with exports. The research of Lederman et al. (2006) points in the same direction as the authors concluded EPAs have, on average, a positive impact on national exports. Gil et al. (2008), conducted a study about Spanish export promotion agencies and these researchers also concluded trade agencies boost exports. Durmuşoğlu et al. (2011) research, with a sample of Turkish SMEs, illustrate that EPPs improve the four export performance dimensions considered: financial, stakeholder relationship, strategic and organizational learning. However, other studies are not conclusive about the effectiveness of EPPs: the impact varies accordingly to the type of program tested (e.g. Wilkinson and Brouthers, 2000; Alvarez, 2004).

### **2.4.3. Trade Missions**

Trade missions are export marketing tools that aim to provide experiential knowledge about foreign markets and to facilitate market entry. The participants can get relevant knowledge about their target market, learn with more experienced participants and make a network of international contacts (Seringhous, 1989; Spence and Crick, 2004; Wilkinson and Brouthers, 2006).

These missions are a learning experience as they allow firms to gain knowledge about (Seringhous and Rosson, 1989, cited in Wilkinson and Brouthers, 2000):

- *How business is conducted overseas;*
- *What services and products are available;*
- *The receptivity of potential buyers;*
- *The extent of the commitment and resources necessary to sell in overseas markets;*
- *The answers to questions about foreign markets and the process of exporting.*

There are two types of trade missions: incoming – firms from a foreign country visiting exporters in the host country - and outgoing – exporters travelling to foreign markets, assisted by EPPs (Seringhous, 1989).

The previous research about this topic is not sufficient enough to generalize a conclusion about the role of this export tool. Spence (2003) conducted a longitudinal research about the impact of trade missions on export success and concluded that, in fact, trade missions are a source of experiential knowledge among small firms, contributing for their sales in foreign markets. Another study (Spence and Crick, 2004) concluded trade missions are highly valued by the participants and confirmed the previous finding on experiential knowledge. However, this effect was more significant within new exporters. Cassey (2010) found a positive relationship between trade missions and exports by destination. Nitsch (2007) observed a positive correlation between state visits and exports. In turn, Head and Ries (2009), in a study about Canada, concluded that trade missions did not cause an increase in trade.

Looking at a different perspective to this topic, Caiado et al. (2009) conducted a research to assess the usefulness of trade missions and official visits according to participating companies. The authors found that business networking among participant firms was considered the most important contribution of trade missions.

## **2.5. Final Considerations**

Martincus et al. (2012) studied the effects of EPPs accordingly to the size of companies and, indeed, concluded the effects are not homogeneous: smaller companies take larger benefits from these programs than large companies in terms of improved export performance. Leonidou et al. (2011, p.20) reached the same conclusion, stating that *“export promotion programs are more instrumental for small firms than for large firms.”*

Despite this, European Commission (2014) referred larger enterprises are more aware of this external help and make better use of the support measures.

Existing literature still has not provide an explanation for the presence of large companies in trade missions neither their importance during the organization and throughout these events. Below, we cited studies that claim that size is being overestimated in the exports' research. Nonetheless, as explained in this literature review,

export promotion programs and specifically trade missions tend to focus more on SMEs as they seem to be more affected by export barriers and need incentives to internationalize. Therefore, it is relevant to fill a gap in the literature and to observe deeper the interaction between companies, their motivations and the practical results achieved. It is also fundamental to understand the perspective of EPAs concerning the role of large firms in trade missions.

### 3. METHODOLOGY

Choices of methodology involve trade-offs as “*no method is optimized for every research objective and every domain*” (Bennett and Elman, 2006, p. 472). We adopted a qualitative and inductive approach, where theory emerges and is developed through the analysis of patterns and relationships among and within the different cases (Edmondson and McManus, 2007; Eisenhardt and Graebner, 2007).

As explained, there is a theory gap in what regards large companies in trade mission. As a result, there is a need for flexible methods of investigation, such as exploratory interviews (Edmondson and McManus, 2007). In this dissertation we were able to conduct an in-depth investigation, containing testimonies from different sources, in which they could tell their experiences and express their own point of view on the subject (Flick et al., 2004). Qualitative research is suited for description, interpretation and explanation of situations (Lee et al., 1999), allowing the researcher to see what motivates the actors involved and the complexity behind the possible causes and effects (Garring, 2004). Hence, this approach is effective addressing questions like “*What is occurring?*” and “*How is it occurring?*” (Lee et al., 1999).

This kind of research has received criticisms regarding validity and generalization of findings (Bennett and Elman, 2006; Eisenhardt and Graebner, 2007; Siggelkow, 2007). However, this investigation aims to explore and develop theory and not to test it, so it is appropriate to build on illustrative examples concerning the object of study (Eisenhardt and Graebner, 2007). Furthermore, we interviewed different groups of sources, representing as many facets as possible, guaranteeing a comprehensive vision of the situation. (Flick et al., 2004)

#### 3.2. Data Collection

##### 3.2.1 Primary Data

The main source of data for this dissertation was interviews both to trade missions’ organizers (EPAs) and to companies that have enrolled in this tool. As the purpose of this research is to understand the role of large companies and to perceive if they can help smaller companies to succeed in trade missions, we interviewed members of large companies, members of SMEs that have participated in trade missions only with firms of their size, and members of SMEs that have participated in mission with large companies.

Trade missions' organizers perspective is extremely important as it allows us to identify which are the most relevant aspects while promoting them in the host country. Also, we had the opportunity to know how they organize these missions and what kind of companies do they prefer to work with. Moreover, as the lists of companies that have enrolled in trade missions are confidential, the interviews with the organizers were particularly valuable as they gave us names and contacts of companies. Using the data given by EPAs, we started by contacting the entities by phone to introduce our study and our interest in interviewing them.

The interviews followed a semi-structured method, in line with the guidelines in Appendix A. We conducted a total of 14 interviews:

- Four trade mission's organizers:
  - AICEP<sup>1</sup> - Francisca Lucena do Valle, Deputy Director of Institutional Relations and Foreign Markets and Rita Araújo, Director of Institutional Relations and Foreign Markets;
  - AIP-CCI<sup>2</sup> - Paulo Alexandre Caldas, Director of Internationalization and Funding Departments;
  - CCIP<sup>3</sup> - João Oliveira e Silva, from the Direction of International Relations;
  - CCILM<sup>4</sup> - Carlos Farinha Ramos, Secretary-General of CCILM and Catarina Encarnação Dias, Administrative Advisor
- A person that has years of experience participating in trade missions, representing the SMEs he was collaborating with. This interviewee asked to be anonymous.
- Nine Portuguese companies. We spoke with one representative of each company that have already been in trade missions and who has a deep knowledge about the internationalization strategy of the companies. The companies were treated as anonymous as most of them asked for it. Table 1 indicates the type of firm and the trade missions they have been in.

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<sup>1</sup> Associação para o Investimento e Comércio Externo de Portugal.

<sup>2</sup> Associação Industrial Portuguesa-Câmara de Comércio e Indústria.

<sup>3</sup> Câmara de Comércio e Indústria Portuguesa.

<sup>4</sup> Câmara de Comércio e Indústria Luso-Mexicana.

**Table 1 ○ Interviewed Companies**

Designation	Size	Type of trade mission	Participants	Frequent participant?
L1	Large company	Institutional	Large companies + SMEs	Yes
L2	Large company	Institutional	Large companies + SMEs	No
L3	Large company	Both <sup>5</sup>	Large companies + SMEs	Yes
S1	SME	Institutional	Large companies + SMEs	Yes
S2	SME	Institutional	Large companies + SMEs	Yes
S3	SME	Institutional	Large companies + SMEs	No
S4	SME	Non-institutional	SMEs	No
S5	SME	Non-institutional	SMEs	No
S6	SME	Non-institutional	SMEs	No

L: Large firms

S: Small and medium-sized enterprises

As established by the European Commission (2005), SMEs are enterprises with less than 250 employees and with an annual turnover inferior to 50 million euros or an annual balance sheet total not exceeding 43 million euros.<sup>6</sup>

The interviews with the EPAs were the first to be conducted. At this stage, we already had a draft of the interview guidelines for the companies. Nonetheless, we used the inputs of the EPAs to enrich the questionnaires for the companies, as they gave us useful insights.

Most of the interviews were conducted face-to-face, lasted between 20 and 30 minutes and were recorded with previous permission. However, because of distance

<sup>5</sup> As the interview was more focused on the presence in the non-institutional trade mission, this company's insights will be described in the section 4.2.2 of the results chapter.

<sup>6</sup> See Appendix B

constraints the representatives of three companies were interviewed by phone. Here, we took notes and, in the end of the phone call, asked the interviewee to confirm if what we transcribed was in line with what he said.

### **3.2.2. Secondary Data**

To complement the information from the interviews and understand the Portuguese business environment we used secondary data from officially recognized reports and from official websites of the entities that promote trade missions.

### **3.3. Data Analysis**

The interviews were transcribed the sooner as possible in the language of origin – Portuguese. Then, the content of each interview was read carefully, revised and grouped into different categories that were allocated to a specific section of the results chapter using an open coding approach. The answers of the interviewees were compared and analyzed together in order to identify consensual and divergent views.



## 4. RESULTS

### 4.1. About the Portuguese Environment

As this dissertation is focused on the Portuguese case, it is relevant to show data on the Portuguese business community and to understand the weight different sized firms have in the national economy. Since our goal is to reach conclusions on the participation of large firms in trade missions it is crucial to know what is their role in the Portuguese business landscape.

This first part of the results chapter also describes which types of trade mission are organized in the country under analyses and summarizes the main characteristic of each one.

#### 4.1.1. Portuguese Business Landscape Overview

Regarding firms in the non-financial sector (98% of the Portuguese businesses), 99,9% were SMEs – 96,2% micro enterprises, 3,2% small enterprises and 0,5% medium enterprises. The total number of large companies within this sector was 957, being responsible for 41,2% of the turnover generated in Portugal. Medium enterprises generated 20,5% of the total turnover, small enterprises 19,3%, while micro enterprises were able to generate 19% of the total turnover (Instituto Nacional de Estatística, 2013)<sup>7</sup>. SMEs accounted 62,5% of the Gross Value Added. A report from *Banco de Portugal*<sup>8</sup>(2014) on non-financial companies states that, from 2009 to 2013, the weight of microenterprises increased 2%. Nonetheless, the total turnover is getting more concentrated in large companies (from 39% to 43%).

Looking at different industries (Table 2), micro enterprises are superior in number in every one. But, again, if we talk about turnover the scenario is not the same. As indicated above, the highest percentage of the total turnover is in large companies, which are dominant in the electricity/water and in the industrial sector. SMEs stand out in four sectors: agriculture and fisheries, construction, commerce and other services. (Banco de Portugal, 2014)

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<sup>7</sup> See Appendix C.

<sup>8</sup> The Portuguese Central Bank.

**Table 2 ○ Sectors of activity and size of companies | 2013**

	Number of firms (%)			Turnover (%)		
	Micro	SME	Large	Micro	SME	Large
Total	89,4	10,3	0,2	15,3	41,5	43,2
Agriculture and fisheries	91,7	8,2	0,1	40,0	56,6	3,5
Industry	71,5	27,8	0,7	5,3	42,7	52,0
Electricity and water	71,3	25,9	2,8	1,7	17,3	81,0
Construction	89,0	10,9	0,1	20,8	45,6	33,6
Commerce	90,7	9,1	0,2	20,0	44,8	35,2
Other Services	92,9	6,9	0,2	20,7	40,6	38,7

Note: The shaded areas correspond to the more relevant size group concerning the economic sectors.

Source: Banco de Portugal, 2014

The weight of exporting companies increased between 2010 and 2013 (Instituto Nacional de Estatística, 2013).

The TOP 100 - the 100 largest Portuguese non-financial companies - were responsible for 27% of the turnover and employed 7% of people within the Portuguese non-financial companies (Banco de Portugal 2014).

#### **4.1.2. Types of Outgoing Trade Missions – Portugal**

AICEP Portugal Global – Trade and Investment Agency is the governmental EPA. It is responsible for organizing two types of trade missions: institutional and technical.

This agency is the only Portuguese EPA that organizes trade missions with members of the government, the institutional trade missions. These missions happen when the President of the Portuguese Republic or a member of the government decide to visit a certain country and want to present a representative offer of the quality of the goods and services produced in Portugal. A large group of companies - on average, about 50 -

from different economic sectors joins the mission and among these we can encounter both large companies and SMEs. According to Francisca Lucena do Valle, from AICEP, the companies look for institutional contacts, for example to win an international contest, as well as bilateral meetings with potential business partners. During the trade mission, besides the bilateral meeting between companies from Portugal and the host country, AICEP organizes seminars, forums and networking events with the companies and government members of both countries. Most of the trade missions organized by AICEP are institutional.

The technical trade missions do not involve any member of the government; the participants are only companies, essentially SMEs. There is a strict number of participating companies, between 8 and 15, and some missions are sectorial. They happen in countries in which AICEP is already present. These missions are prepared with more antecedence than the institutional ones. According to Rita Araújo, from AICEP, the technical missions are oriented to the bilateral meetings: in about two days each company has four or five meetings a day.

Besides AICEP, private entities also organize trade missions. AIP-CCI, CCIP and CCILM arrange several trade missions with a similar structure of AICEP's technical missions. CCILM, the Portuguese-Mexican chamber of commerce, organizes trades mission only between Portugal and Mexico.

These entities promote trade mission with about 10 participating companies. Most of the companies that apply for this export promotion tool are SMEs. João Oliveira e Silva, from CCIP, stated that *“SMEs need more support regarding their internationalization process as they are more vulnerable”*. In fact, these missions follow NSRF<sup>9</sup> rules, where it is defined that only 20% of the participating companies can be large. As Paulo Caldas, from AIP-CCI explained this occurs since the support given by the program COMPETE<sup>10</sup> is focused on SMEs<sup>11</sup>. The same source referred that large companies do not apply for the trade missions very often. Nevertheless, when they are present they *“assume an important role, they are a ‘beacon’, an indicator of how to attack the market”*.

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<sup>9</sup> National Strategic Reference Framework.

<sup>10</sup> Operational Competitiveness Program – as part of NSRF.

<sup>11</sup> See Appendix D.

**Table 3 ○ Outgoing Trade Missions Summarized**

Trade Mission	Participants	Number of participating companies	Activities conducted
Institutional	Representatives of the Portuguese Republic, large companies and SMEs	20 -70	Forums, seminars, networking events, bilateral meetings
Non-Institutional	SMEs and up to 20% of large companies	8 -15	Bilateral meetings, networking events

## 4.2. Trade Missions – Insights

This section is divided between the two types of trade missions described, institutional and non-institutional. As these trade missions have considerable differences concerning their participants and purposes, doing this distinction it is easier to explore the expectations of companies.

### 4.2.1. Institutional Trade Missions

As referred above, AICEP is the entity responsible for organizing trade missions that bring together the President of the Portuguese Republic or members of the government and a large number of companies.

#### 4.2.1.1 Organization

The organization of an institutional trade mission takes place when an official visit to a certain foreign country is scheduled and the government or the President of the Portuguese Republic aim to be accompanied by Portuguese companies of many economic sectors.

AICEP has members that work together with the firms, who knows their goals and priorities. After knowing the destination of the trade mission, the first step is to identify which companies to target.

*“We do not target companies that have never been in that market and that just want to know more information about it. Usually, we identify companies*

*that have already asked for a concrete information about the market, that have already been there or that have a partnership there.” (Rita Araújo, AICEP)*

In some cases, AICEP discloses information about the trade missions through their newsletters and every company can apply directly.

After this initial approach, when AICEP has more information about the agenda of the trade mission, the application forms are sent. The companies are asked to provide some information, such as their objectives concerning the trade mission and with which kind of company from the host country do they want to have a business meeting.

After selecting the list of participating companies, the following step is to contact the local partners in the host country (local AICEP offices, chambers of commerce, embassies, etc.) in order to schedule bilateral meetings and organize seminars and networking events.

There is no standard model of how the trade mission should be. But, usually, there is a business forum with a networking event apart from the bilateral meeting scheduled to take place at the local firms’ headquarters. The same source from AICEP mentioned that “the forum is a formality, bilateral meetings are where companies discuss business”. The seminars tend to be smaller and with less participants and their contents vary according to the country and to the sectors of activity of the participating firms.

As explained, both large companies and SMEs participate in institutional trade missions and their objectives and role are described further. When asked if there are differences dealing with a large company and with an SME during the process of organizing a trade mission, Rita Araújo stated she is more worried with the SMEs, especially small companies, since their preparation is less accurate when compared with companies of a larger size.

*“SMEs need more local support than large companies as they, typically, do not work with consultants or with law firms. Since institutional trade missions are prepared at short notice - sometimes we have only 15 days – we do not have time to help these companies the way they need. Furthermore, as part of the mission are forums and institutional contacts, I understand that this situation is not so favorable for SMEs.” (Rita Araújo, AICEP)*

Although the reference figures of the institutional trade missions are the government members, large companies help giving dimension to the mission. It is always

beneficial for the image of the trade mission to have the largest Portuguese companies in the committee.

#### 4.2.1.2. Objectives and Results

Trade missions are not the most common approach to enter a new market, when it comes to large companies. If they are interested in a certain market, they research about it and go there by themselves – sometimes they ask AICEP support but only to help scheduling business meetings. They have a vast network of contacts, so it is not difficult for them to find the right contacts in a certain market. The interviewees consider that this is one of the reasons they are invited to join trade missions; they are facilitators.

Their objectives vary according to the trade mission. Sometimes they are invited by AICEP because the organizer needs companies with relevance in the Portuguese market to join the government in the trade missions or because AICEP knows in advance that the companies have interest in that market. In those cases, they do not simply attend the forums and events; they schedule meetings with potential business partners or follow up current partnerships, if they have already been in that market. Though, in some cases, it is the firm that takes the initiative to apply, as the large company designated as L1 explains:

*“When we know about a trade mission for a certain market that is interesting for our business but it is not a priority we apply for it. A market where we do not want to spend too many resources. The trade mission is organized, everything is defined by AICEP, so the only thing we do is to schedule one or two more business meetings with specific agents.”*

As for the results, the large companies interviewed could not identify concrete consequences. But trade mission allowed them to identify some local business opportunities and to identify key contacts. Trade mission are not the preferred way they use to enter a market but they are integrated in the strategy of the company. When participating in a mission, if they come across good opportunities, they can build on them going there again by themselves or inviting the foreign firms to come to Portugal.

Regarding SMEs, the interviewees went to markets in which they expect to do business. The SME S1, experienced participator in trade missions, uses this export promotion tool both to accelerate the closing of deals - as explained in the next section of this chapter - and to explore a market in which the company already have contacts. As this firm has a franchising strategy, their objective is to find franchisees worldwide. Given

this specificity, the company cannot rely only on the meetings scheduled by AICEP since it is not easy to identify potential franchisees in a few weeks.

The SME S2 was also used to participate in trade missions. They are already present in many markets and use trade missions to explore new opportunities in countries where they are not present yet. Their goal is to do business.

The SME S3 is not a frequent participant in spite of being an AICEP associate. They enrolled in a specific trade mission as they have already worked with a firm in the same host country, having already knowledge on that market. The objective of this company was to meet with new potential clients.

In terms of results, it was much easier for the SMEs to answer. They all admit that it is almost impossible to close a new deal as a consequence of a single trade mission. To achieve results, the follow up job must be hard. Following this motto, the first two companies mentioned have been well succeed. For the last SME interviewed the trade mission was not translated in new business as the companies with which they had bilateral meetings were in need of their services at that time. As the company's representative declared *"AICEP did not identify the right companies for us and we did not do any research by ourselves"*.

#### **4.2.1.3. Role of the Government**

To understand how institutional trade missions works and the perceptions that firms have about these missions, one must look at the government members' presence and their importance regarding the trade mission. Here, we will describe the role of the government regarding the companies and their perceptions. Thus, our objective is not to study what motivates the government to visit a certain destination neither to know the political impact the trade mission had on the country, as well as on the institutional relation between the two countries.

The interviewed companies showed consensus regarding the credibility enhanced by the presence of members of the government or the President of the Portuguese Republic to the companies. This means that the companies that enroll in institutional trade missions are seen as reliable by the host country. Another aspect all the interviewees shared the same opinion was related to the contacts in the host country. The presence of a representative of the Portuguese Republic increases the probability of the companies

being receive by a person that occupies an important position in a local firm or even in the local government.

S1 exemplified:

*“We only had the contact of one delegate in that Arab country [trade mission host country] and we wanted to meet the CEO of a local large company. As a Portuguese Ministry was present, our contact called that CEO and he appeared. I do not believe that he had appeared otherwise.”*

AICEP acknowledged another situation which was confirmed by one of the interviewed SMEs, demonstrating why the presence of the government is beneficial for firms. Sometimes, firms see institutional trade missions as the perfect opportunity to close a deal. When the negotiations are in an advanced state but the contract is not signed yet, the trade mission is a pretext to sign it: they do not want to lose the opportunity of signing a contract in front of government members. This is valid both for SMEs and large companies. A similar case happens when a company, typically a large one, wins an international tender. Another interviewee, who had enrolled in many trade missions, points out that this is a win-win situation for the companies and for the government: the government has to show results and a contracted signed in a trade mission is an indicator of success (even if the negotiation was previous to the trade mission). Following the opinion of the same source, this is positive if well communicated in the host country as it can attract investment for Portugal. On the other hand, the same source declared that a trade mission has to be more than that, the bilateral meetings between SMEs must not be neglected. He stated that as trade missions are not prepared in advance, the delegates from AICEP do not have enough time to dedicate to the bilateral meetings; they have to work on the institutional agenda.

The referred source was in trade missions in which the member of the government present in the event took some time to know the companies' representatives, showing availability to present them in his institutional meetings. He claims that this model is very effective and it is becoming more common.

For those companies that have not made already any contact in the host country, the presence of the government is seen as beneficial for the organization of the trade mission, but it is not what makes them enroll in a trade missions. As one SME stated, they are *“interested in the bilateral meetings and the government is not fundamental there”*.



#### 4.2.1.4. Networking and the Role of Large Companies

When companies enroll in trade mission they contact not only with companies from the host country but also with the other Portuguese companies. They normally go on the same plane and stay in the same hotel. Therefore, throughout the events and bilateral meetings they spend time together and discuss their business.

All the interviewees agree that trade missions are also great opportunities to meet potential Portuguese business partners. Still, they declared this was not their goal, even because, as most of the trade missions are multisector, sometimes there were no companies that were interested in doing business with them. Nevertheless, they find useful to present their companies and their competitive advantage to the other Portuguese participants as they might know someone interesting for them.

Concerning networking between large companies and SMEs, the SME S2 stated *“it is indifferent to go with large companies or not. If they do not identify themselves, we do not even know who they are.”* In fact, when asked about direct benefits from being with large companies they could not identify any. On the other hand, all the interviewees considered the presence of large companies fundamental for the organization of trade missions, comparing their role with the government members’ role.

The SME S3 stated:

*“These trade missions are a strategy to help companies attack external markets but they are also a marketing maneuver. This marketing component needs the dimension of large companies, they help create a positive image of our country. In addition, I do not believe that a mission with ten SMEs could attract important business people or Ministers. Therefore, from this perspective, large companies can bring benefits to SMEs, by putting us in contact with relevant people from the host country.”*

The interviewee from S1 gave his opinion:

*“I value more the presence of government members than large companies. Personally, I think they are much more important. The government can accelerate business deals. Though, of course large companies are also fundamental for the promotion of the mission and to attract local business people.”*

Another source revealed large firms can provide relevant information to SMEs, namely those that had never participated in a trade mission before or that have participated in only one or two missions.

*“Sometimes, when the trade mission occurs in markets totally different from ours, SMEs have little information about them, since they do not have many resources to undertake a deep analysis of the markets. Some of them have no idea about the local regulation, the risk, etc., and they talk to the large companies’ representatives for them to share some of these aspects. The large companies are receptive and do help SMEs, particularly if the company is from a different sector, eliminating the risk of sharing some critical information about their business. I have benefited from this situation and I have seen this happen with other companies.”*

Despite reporting this positive situation, the same source claimed that many large companies enroll in trade missions because “they have to”: or they have a huge presence in that country and should join the Portuguese committee or they are invited to give dimension to the trade mission. AICEP confirmed this situation, stating that some large companies almost have the duty to go to certain markets, where they are already present. Recently, the large company L2 was in a trade mission more focused on its sector of activity, AICEP invited large companies from that sector, as the member of the government wanted a committee of companies with a significant dimension in the Portuguese market:

*“From all the missions we joined – very few -, in this one we felt that AICEP was really interested in our presence. Besides the networking event between all the participating firms, we attended to a dinner only with the Portuguese and the local government and with large firms. But we also schedule individual business meetings. As we went there it would a waste of time not to do it.”*

The large companies’ representatives were asked if their companies had a special role promoting the internationalization of the SMEs that work with them, being them distributors or subcontractors. The interviewees did not know any concrete case to illustrate this situation but they were pretty sure this happened. The large company L1 related that there are often synergies between them and Portuguese SMEs that are already established in the host markets. In other words, when this large company has the opportunity to enter in a new external market, they contact Portuguese SMEs that are already there to work with them. The other large company interviewed, L2, did not participate in so many trade missions as L1. However, the company representative declared that the growth of that company is beneficial for the entire network of companies that work with them.

#### **4.2.2. Non-Institutional Trade Missions**

Since AICEP is more focused on the institutional trade missions, we will describe here the trade missions organized by the other entities referred above (AIP-CCI, CCIP and CCILM).

##### **4.2.2.1. Organization**

CCIP frequently promotes seminars about specific external markets. These seminars are independent but related to trade missions as they can help to decide the destination of the missions. After each session, CCIP asks the participants – usually SMEs – if they would enroll in a trade mission to that country.

Similarly to what happens in the case of institutional trade missions, the promoters send information about the mission to a database of companies, making it possible for these companies to apply, filling in a form with specific data about the company. Paulo Caldas stressed the importance of the form for the planning of the bilateral meetings as the information the companies provide allows the matching between them and the companies from the host country. On a second step, they contact the local chambers of commerce, embassies and AICEP offices in order to promote the trade mission in the host country and to schedule the bilateral meetings. In the case of CCILM it is this organization itself that establishes contact with Mexican firms.

During the trade mission, usually, besides the bilateral meeting it is promoted a networking event that can be a formal dinner or an event at the headquarters of a bank, or of some relevant company from the host market. The companies from both countries know in advance with whom they are going to have business meetings. One or two members of the organizer entity go with the companies to the host country.

Most of the companies that enroll in these trade missions are SMEs. In fact, even if it is allowed 20% of large companies, the reality is that most of the participants of non-institutional trade missions are only SMEs. Nonetheless, from time to time, large companies contact the organizers in order to go to a certain trade mission. Recently, a large company participated in a trade mission organized by CCIP. João Oliveira e Silva stated that the organization and the promotion of that mission was exactly the same, especially because that company had no experience or business contacts in that host market. In turn,

Paulo Caldas pointed out that most of the times, the large companies already know with whom they want to meet.

*“Here, the size of the companies matters. For large companies it is easier to establish contacts in foreign markets. When they contact AIP-CCI they indicate us the contacts they have and the meetings they want us to schedule. We are the bridge between companies but the contacts are already done. Conversely, for SMEs our most important job is to find the right contacts for them (Paulo Caldas, AIP-CCI).”*

According to Catarina Encarnação Dias, from CCILM, large companies make the process of promoting a trade mission more effective. It is easier to promote the mission in the media: *“we know we are going to be in the newspapers. The impact is higher”*. Moreover, it is also attractive for Mexico to receive Portuguese large companies, especially if that company has already a strong presence there.

#### **4.2.2.2. Objectives and results**

The large company interviewed is a frequent participant of trade missions, having participated also in institutional trade missions, as explained. The company have already enrolled in trade missions with different objectives: to find more contacts and business opportunities in markets in which the company is already present, to explore new markets and evaluate if it is worth going there by themselves and to sign a protocol in front of journalists. This last situation happened in an institutional trade mission.

The interviewee stated their objectives are the same regarding institutional and non-institutional trade missions. However, the company prefers AICEP mission in those cases in which the government is central to the economy. Nevertheless, the company have already participated in non-institutional trade mission to countries with this characteristic when AICEP was not organizing any mission for that market. For example, the interviewee went to Cuba with AIP-CCI.

The results are positive for the company but the interviewee stressed that the objective of participation cannot be to close a deal there, otherwise the great majority of trade mission would receive a negative feedback.

*“Trade missions are, mainly, the first step for doing business. We have to go there again as many times as necessary and invite the potential partners to come here to visit our headquarters and to check our technical capabilities. We use to invite them right in the trade mission.”*

In regards for the SMEs the objectives were merely exploratory. They received information about an upcoming trade mission and decide to explore the receptivity of the markets to their products. The SME S5 had the concrete goal of finding potential clients and a distributor. For both of them, this was not a decision previously thought and they did not think about going there by themselves. The companies prepared the materials to present their businesses but they did not established any contacts by themselves, relegating that job only to the organizer.

These companies participated in a trade mission in November of 2014. Thus, there is still no results. The three SMEs keep contacting the companies from the host country they met and revealed that it is too early to take conclusion. Though, two of the companies are not confident about the results, they say their targeted markets are very competitive. The other one is contacting the companies from the host country on a regular basis and researching more about the local culture and regulations. One of the participants stated that only the SMEs (it was a trade mission only with SMEs) which were already linked to that market – for instance, companies that had clients there or that were working as subcontractors – have seen positive results.

#### **4.2.2.3. Networking and the role of large companies**

Two of the interviewed firms, the large one and an SMEs, have already taken advantage from the networking between the Portuguese participants. However, similarly to what is described for the institutional trade missions, this was not their priority; they did not apply for the trade mission because they thought it was a good opportunity to do business with Portuguese companies. Despite being multisector trade missions, some Portuguese companies operate in similar businesses or in businesses that can benefit from other participants' services. SME S5 is currently negotiating with a company that has shown interest in buying their equipment.

Regarding the perception of the SMEs on the role of large companies, the interviewees declared they would not value the presence of a large company – they have participated in trade missions only with SMEs.

The interviewee from SME S5 stated:

*“I do not see any added value in the participation of large companies. Each company is there for their own benefit, to find their own contacts and potential partners. I have never thought about that but a large company could*

*be a threat for us. If the company was from our sector of activity they would probably mean competition for us in that trade mission: the local firms would prefer to meet with them.”*

The interviewee from SME S6 declared:

*“More important than the participation would be the creation of a network between large companies already present in a certain market and SMEs that want to expand for that same market. But that should happen in Portugal. There is no need of going abroad to contact with Portuguese large companies. For an SME, enrolling in a trade mission implies huge financial and time costs, so it would be more effective if we could contact large companies without travelling. I know that some companies do that but it is not usual.”*

The interviewee from large company L3 explained they use to share experiences and advices with other participants when they have experience in that host market. Conversely, in markets in which they are not present they learn with other firms, being them large or SMEs.

Catarina Encarnação Dias was very positive about the role of large companies and their contribution for the success of SMEs. CCILM invites, frequently, a large company that has a strong presence in Mexico: *“With the presence of this large company, SMEs feel more confident”*. CCILM organizes trade mission but also visits to trade fairs. Recently, a group composed of SMEs and the large company mentioned went to an important trade fair in the IT area. Portugal had its own stand partially bought by the large company. With internal resources, the company was able to turn the space very attractive to the visitors. Since SMEs were also integrated in the same, the visibility created by the large company turned out to be beneficial for them. This example is not about a trade mission, but describes the impact a large company can have in an international context. Moreover, and according to the same source of CCILM, the business community became aware of this situation, which reinforces their will to go on trade fairs and trade missions with larges companies.

Paulo Caldas referred the role of large companies in trade missions is not only about the trade mission itself:

*“Large companies can have many SMEs as subcontractors in different areas. The internationalization of the large company is a driving factor for the internationalization of those SMEs that otherwise would not be able to internationalize.”*

The same source claimed that even if the organizer or the large firms give an excellent support to SMEs, these firms could not achieve positive results without a consistent internationalization strategy and correct evaluation of the internal resources in order to define if the company fits the external market. From his experience, he knows that a lot SMEs rely on the quality of their products and do not care about promotion, adaptation to the local market condition neither competitive prices. The interviewee declared EPAs should continue to help SMEs in this process of analysis of the markets as more than 90% of the Portuguese business community is composed by SMEs. Complementarily, they should continue to take large companies to external markets as their business has a huge dimension and affects a lot of employees and subcontractors.

For this non-institutional trade missions, Paulo Caldas stated that large companies are not so critical for the image of the mission. Yet, when they are present, that use to be positive for the evaluation of that trade mission since - as they have resources to prepare a detailed internationalization strategy and to do a proper follow-up - they use to do business. Furthermore, the same source agreed that they are facilitators, attracting key business people from the host country.

#### 4.3. Summary of the results

The following table aims to summarize the results described above, combining the findings about institutional and non-institutional trade-missions. Table 4 is organized according to the three research questions formulated in the introduction chapter.

**Table 4 ○ Summary of the Results**

<p>Organization and promotion of the trade missions</p>	<ul style="list-style-type: none"> <li>▪ SMEs need more support in the preparation for the trade mission as they have less resources;</li> <li>▪ Concerning the organization process, large companies usually inform EPAs about the contacts they intend to meet; SMEs normally rely only on the EPAs work;</li> <li>▪ One interviewee stated that the presence of large companies is indifferent for the organization of trade missions if the company is not familiarized with the host market;</li> <li>▪ Portuguese EPAs contact their local partners (AICEP, chambers of commerce, embassies, etc.) to promote the trade mission in the host country;</li> </ul>
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	<ul style="list-style-type: none"> <li>▪ Most of the EPAs value the presence of large companies: they are attractive and important for the media coverage of trade missions.</li> </ul>	
Objectives of the companies	<b>Large companies</b>	<b>SMEs</b>
	<ul style="list-style-type: none"> <li>▪ Follow-up with business partners in the host market;</li> <li>▪ Institutional presence;</li> <li>▪ Close deals (previously negotiated);</li> <li>▪ First approach to an external market.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Explore the market, with no concrete objective;</li> <li>▪ Find business partners;</li> <li>▪ Accelerate the signature of protocols.</li> </ul>
Large companies importance for SMEs	<ul style="list-style-type: none"> <li>▪ Give advice to inexperienced SMEs;</li> <li>▪ Give dimension to the trade mission, attracting local business people, which can be beneficial for all the participants;</li> <li>▪ Two interviewees said the presence of large companies was indifferent for them;</li> <li>▪ One interviewee declared large companies can be a threat, competition;</li> <li>▪ One interviewee would prefer to contact large companies in Portugal for them to give instructions about foreign markets to SMEs.</li> </ul>	



## 5. DISCUSSION

In line with the previous literature (Ahmed, 2002; Martincus and Carballo 2012; Meyer and Skak, 2002; Spence and Crick, 2004; William, 2011) our interviewees confirmed smaller companies have a greater need of export promotion programs as they have less internal resources: financial resources; human resources, that do not allow them to spend the time needed to explore external markets; and also a weak network of national and international contacts. Despite their limitations, the current Portuguese financial crises and the growing globalization of markets forced Portuguese SMEs to discover new markets. Large companies have internal resources, allowing them to expand to new markets more easily. In fact, in the “firm size and exports” section of the literature review we listed characteristics that, typically, large companies have and that potentiate their internationalization (Wagner, 1995). Thus, why would they need to enroll in trade missions? It is true that non-institutional trade missions target is mainly SMEs, but large companies also participate in these missions. Moreover, they are frequent participants of institutional trade missions.

In the beginning of this dissertation we defined our goal was to identify to what extent an SME takes advantage in participating in trade missions with large companies. To explore this topic, we proposed to understand if it was better for the trade mission organizers to promote trade missions with large companies, what were the objectives of firms from different sizes in enrolling in trade missions and how was the networking between firms.

To start answering our research question, it is essential to look at the first part of the results chapter. As described, in 2013 more than 95% of Portuguese firms were micro enterprises and less than 1% were large firms. In turn, large firms generated more than 40% of the Portuguese total turnover of the same year and were responsible for a significant part of the Portuguese employment. Bearing this in mind, we can recognize the importance of encouraging the business of both large companies and SMEs. It becomes evident that large companies have a high weight in the Portuguese economy and that their success or failure affects a large network.

Looking at institutional trade missions, large companies are needed to accompany the government; to strengthen the mission. Institutional visits to foreign countries are also marketing maneuvers to attract investment to Portugal, so they should give a strong and

reliable image of the country. In addition, there are cases in which the government promotes trade missions to testify the close of deals between a Portuguese company – usually large – and a local one. However, besides this, sometimes large firms also ask for EPAs' support to explore markets that are unknown for them. And if an upcoming trade mission has as destination one of those markets, the large company would enroll in that mission, since it is a cheap way for them to get information and establish contacts in the market. This happens both in institutional and non-institutional trade missions.

In the specific case of non-institutional trade missions, large firms are not always present. Several are organized only with SMEs. In fact, the ultimate goal of these missions is to stimulate the internationalization of SMEs. As presented in the results, João Oliveira e Silva stated that the participation of large companies in the trade missions of CCIP is not an advantage per se. The interviewee only remembered one trade mission with a large company and, as that company had no experience in the host market, it did not have a relevant role in the mission. Indeed, analyzing the results we realized that previous experience in the host countries is a relevant factor.

Regardless of this insight, the interviewees were pretty much unanimous stating large firms affect the promotion of missions, being them institutional or not. Interestingly, the organizers were not the only ones that referred this aspect, the company representatives also pointed out the importance of large companies regarding promotion. This specific topic of promotion of trade missions in the host country have not received attention in literature yet. It is urgent to understand the best ways to attract relevant business people to these events. Institutional trade missions' interviewees identified similarities regarding the role of large firms and the government, namely seeing them as important for the credibility of the mission, attracting more host participants. Furthermore, we described the case of CCILM that regularly invites a large company already present in Mexico to give more dimension to the missions or trade fairs, taking positive outcomes from that. This suggests non-institutional trade missions' organizers could see large firms as a strategy to increase the impact of these events.

Another aspect referred by EPA's interviewees is the media coverage of trade missions. The presence of large companies attracts journalists and give a national dimension to the event. The impact of media can bring positive effects concerning the promotion of missions in Portugal. For this dissertation, we interviewed companies that

have already been enrolled in trade missions. They received information about these missions as they were already associated of at least one of the EPAs. In reality, AICEP revealed only some trade missions are disclosed on a broader database of firms. Some previous research (Kanda et al., 2013; Kumcu et al., 1995) expressed concerns on the way export promotion programs are promoted and reach their target, stating the awareness of SMEs should be improved. Studies have found that smaller firms are less familiarized with export assistance and, as the ultimate goal of these programs is to support SMEs' internationalization, this seems a contradiction (Ahmed et al., 2002). Hence, the interest of mainstream media in trade missions would increase the visibility of them, contributing for the divulgation of this export promotion tool towards the entire business community.

Regarding the objectives of firms to apply for a trade mission, we can observe some patterns that differentiate large companies from SMEs. To four out of the six interviewed SMEs, their participation was purely reactive to the agenda of the EPAs. This means that they had not planned to enter that host market but, as the EPA was promoting a trade mission there and the market seemed interesting, they applied for it. They hopped to find business partners and learn more about the business culture and target country's regulation. This lack of strategy is reflected in the results, which are not satisfactory. It is important to note that these firms are not experienced in these kind of export promotion tool. The two SMEs that are taking advantage of their enrollment in these missions are frequent participants, having a lot of experience in these events. When they apply for these programs they have the concrete objective of finding the right partners to internationalize their companies. This is consistent with Seringhous (1989) who found that users of missions have specific export performance objectives while non-users perceive these events has a source of information and learning.

In turn, for the large firms interviewed and according to the EPAs representatives, trade missions are a complement to their internationalization strategy. They have enough resources to explore international markets alone and they do it. When they are invited to be part of the committee of a trade mission they also schedule business meetings in the host country to increase their networking and to evaluate the possibility of new partnerships. Generally, they do not wait for the EPA to find the right contacts. They research by themselves and indicate the organizer with whom they want to meet.

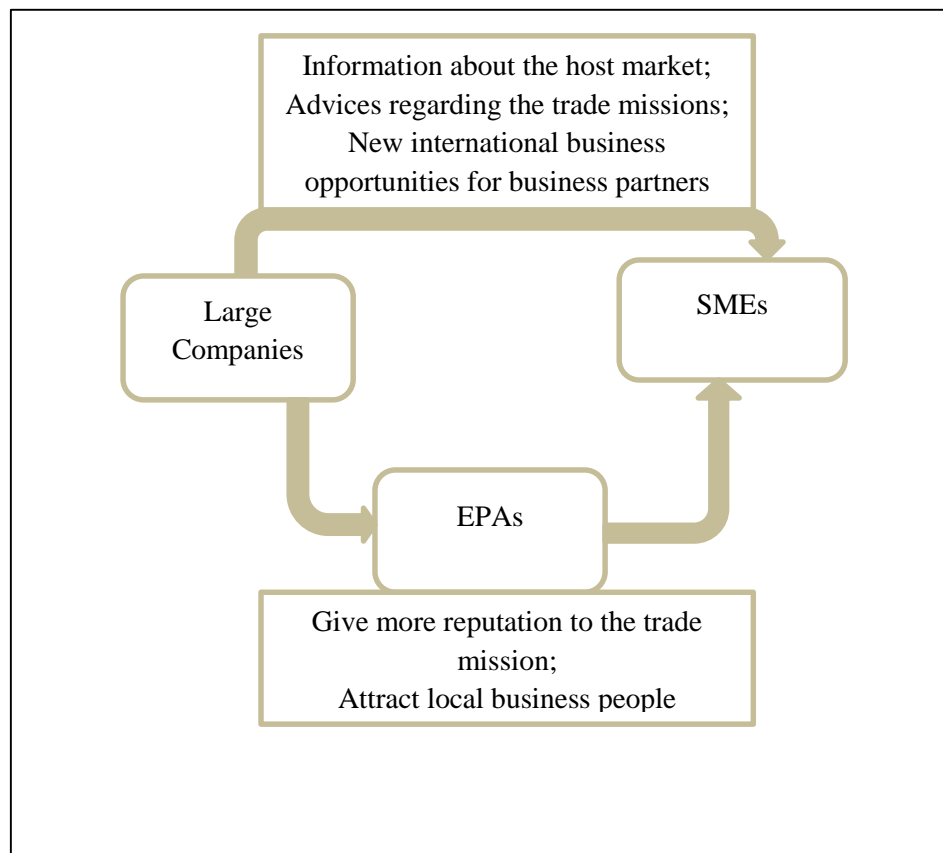
Regarding networking between Portuguese firms, the interviewees were consensual stating this was not their goal but they did not disregard eventual chances of doing business with the other Portuguese firms. This aspect is contrasting with the findings of Caiado et al. (2009) that observed networking between the participating firms as the most valuable contribution of trade missions. A possible explanation for this is the fact that most of the companies of our sample did not experienced direct benefits from networking, thus, not recognizing it as relevant.

SMEs did not show special interest in participating in trade missions to find business opportunities with large companies. The participation of large firms is important for them but indirectly, as they attract more local business people to the trade mission. An interviewee pointed out they have an important role sharing their experience and knowledge with less experienced firms. The participants of non-institutional trade missions interviewed have never been in these visits with large companies and did not show interest in that. An SME even manifested displeasure about their presence as they could be competition if operating in the same sector as the SME. As we can observe, large companies did not seem fundamental in the perspective of non-institutional trade missions' participants that have enrolled in missions only with SMEs.

Figure 2 outlines how large companies can be beneficial for SMEs in trade missions.

Despite these benefits that became evident from the analysis of the results, we acknowledged that the relationship between firms is not being properly leveraged.

We found large companies could, in fact, help SMEs taking advantage of trade missions, especially the ones that have little experience. First, because large companies have knowledge about internationalization strategy. Second, because they are willing to participate in trade missions: even if it is not their preferred internationalization strategy it is an interesting complement for the reasons explained before. Furthermore, our sample of SMEs showed us that with lack of preparation and strategy it is difficult to get a concrete benefit from this export promotion tool. But, what occurs is that, occasionally, firms talk during the event and it can happen that they exchange useful information and advices.



**Figure 2** Large companies' importance for SMEs

Therefore, EPAs could potentiate the networking between companies before and during trade missions.

Literature has shown evidences on the benefits of networking (Watson, 2007), namely as a way of boosting SMEs' internationalization (Dana, 2001). One of the main entry barriers external markets is related to information (Meyer and Skak, 2002), more specifically to experiential knowledge, including understanding the foreign business culture. The relationship with players that already have experience on those markets is a way of obtaining knowledge and to reduce uncertainty associated with internationalization (Guercini and Runfola, 2010).

Actually, one interviewee suggested large companies could give advices to SMEs in Portugal, having no need of a trade mission for that.<sup>12</sup> It could be interesting if EPAs promoted a session to encourage the networking between large firms and SMEs before

<sup>12</sup> CCIP is promoting a project related to this. It is described in Appendix E.

the trade missions, bringing into contact firms with no experience and others that have knowledge about the host market. They could also do it regularly, independently of the missions.

## 6. CONCLUSION

This dissertation intends to be a contribution for the study of trade missions. Commercial diplomacy and export promotion programs are not recent tools but academic investigation still hasn't reached to conclusions about their concrete effects and usefulness. Research about this topic is relevant especially nowadays as companies' interest about these programs is increasing.

During our research process we aimed to understand the role of large companies in trade missions and their contribution for the performance of SMEs in these events. SMEs feel the need of expanding abroad but, many times, do not have resources to do it. Consequently, they apply for export promotion programs in order to get support to internationalize.

Even if the goal of most trade mission is to help SMEs, large companies also benefit from these missions. It is true that part of their presence is institutional but they also contact EPAs to get support to explore international markets.

Large companies are important elements for the credibility of the missions, attracting important local business people and the interest of the media. SMEs recognize they can take advantage of that as they can have the opportunity to meet with these people and find potential business partners. This situation affects positively the participation of SMEs in trade missions but it is not a sufficient condition to have success entering an external market. After the missions, companies should keep contacting the local firms and, if necessary, go there again or invite them to come to their headquarters. When we hear about deals that have been signed during an event like this we have to keep in mind that the most probable situation is that the negotiations have occurred in the past.

Large companies' participation in trade missions, if translated in more business, would have an impact on the SME which are within their network of business partners.

Experience is an important factor to consider. Usually, large firms have more experience in how to internationalize and in how to conduct successful bilateral meetings. Therefore, their advices are useful to unexperienced SMEs. Experience in the host market is equally relevant and here the size of the firm loses importance. During the trade mission, companies' representatives spend time together and share opinions and information; the ones who have greater knowledge on the host country are important

sources of information for the others. Despite this, we found networking between large firms and SMEs should be more encouraged as we considered this would have positive effects in SMEs performance.



## 7. LIMITATIONS AND FURTHER RESEARCH

The first limitation of this dissertation was the sample of companies. Most of the companies contacted did not give us a positive answer or simply did not answer. Hence, one has to be careful generalizing the findings. However, luckily, we were able to find interviewees that gave us useful insights and were completely open to give their contributions for this study.

The second limitation is that this study was conducted in Portugal, using only Portuguese interviewees. Therefore, the conclusions have to be interpreted according to Portuguese context. Further research could perform the study of this topic in other countries.

The fact that most of the firms which have participated in trade missions are located outside Lisbon was also a limitation. The author did not have the possibility to interview companies' representatives who did not work in Lisbon. Consequently, the companies with headquarters in Lisbon were preferred. As referred in the methodology chapter, the companies located outside the Portuguese capital city were contacted by phone, what can reduce the accuracy of the interview. For further research about this topic in Portugal it is important to have this in mind.

This dissertation had the goal of finding different points of view – EPAs, large companies and SMEs – and to build conclusions from the concrete experience of interviewees. That was achieved with a qualitative approach. It would be interesting to continue the study about this topic, narrowing it down only to large companies. A quantitative approach with a significant sample of large companies would be useful to understand better what their objectives are and the results they achieved.

The quantitative approach could also be used to compare the results of SMEs that have participated in trade missions with large companies and SMEs that have participated in trade missions only with other SMEs.

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## APPENDICES

### Appendix A

#### Interview Guidelines

##### ▪ Export Promotion Agencies

#### 1. About the agency

- 1.1. What kind activities does this EPA promote?
- 1.2. What is your role regarding trade missions?
- 1.3. How do you proceed to organize a trade mission?

#### 2. Promoting a trade mission

- 2.1. Portugal: how do you target the companies?
- 2.2. Host country: Who are your partners? What do you do in order to schedule meetings for the companies? What are the main difficulties regarding this aspect?

#### 3. Dimension of the companies

- 3.1. The trade missions your agency organizes usually have more SMEs or large companies participating? Why?
- 3.2. Are there any differences organizing trade missions only with SME/ with SMEs plus large companies?
- 3.3. Regarding the promotion of the trade mission, do you observe any correlation between the size of the companies and the easy of arranging business meetings? Is it easier to promote a trade mission when there are large companies within the participants' list? Why?
- 3.4. What is your perception about the cost-benefit relationship regarding taking large companies vs. SMEs abroad?

##### ▪ Large companies

#### 1. About the company

- 1.1. Brief description about the business of the company.
- 1.2. Number of employees and turnover.



**1.3. Internationalization:** are you present in foreign markets? Since when?

## **2. Trade missions**

**2.1.** How often does the company participate in trade missions?

**2.2.** Does the company use to enroll in a trade mission or are the EPAs that normally invite you?

**2.3.** What are the objectives of the company when enrolling in a trade mission?

**2.4.** Before the mission, does the company identify key contacts in the host country?  
Or do you rely only on the EPA's work to schedule the business meetings?

**2.5.** How is the networking between the participating firms?

**2.6.** Have the company ever invited a partner/subsidiary to go with you on a trade mission?

**2.7.** What is your feedback about this/these mission/s? Is the company taking benefits from this/these participation/s?

### **▪ SMEs**

## **1. About the company**

**1.1.** Brief description about the business of the company.

**1.2.** Number of employees and turnover.

**1.3.** Internationalization: are you present in foreign markets? Since when?

## **2. Trade missions**

**2.1.** How often does the company participate in trade missions?

**2.2.** Why did you apply for the trade mission(s)?

**2.3.** What are the objectives of the company when enrolling in a trade mission?

**2.4.** Before the mission, does the company identify key contacts in the host country?  
Or do you rely only on the EPA's work to schedule the business meetings?

**2.5.** How is the networking between the participating firms?

**2.6.** What is your feedback about this/these mission/s? Is the company taking benefits from the participation(s)?

## **3. To SMEs that have participated in trade missions with large companies**

**3.1.** Participation of large companies: was it beneficial, indifferent or harmful for the company? Why?

**3.2.** Can you identify advantages and disadvantages regarding the participation of large companies?

## **4. To SMEs that have participated in trade missions only with SMEs**

**4.1.** Would you have valued the presence of large companies in the trade mission you have participated? Why?

**4.2.** The presence of a large company would be an attractive factor for you to apply for a trade mission? Why?

## Appendix B

### SME Definition

Enterprise category	Headcount: Annual Work Unit	Annual turnover	Or	Annual balance sheet total
Medium-sized	< 250	≤ € 50 million		≤ € 43 million
Small	< 50	≤ € 10 million		≤ € 10 million
Micro	< 10	≤ € 2 million		≤ € 2 million

Source: European Commission, 2005

## Appendix C

### Portuguese Firms by Size

#### Non-financial firms | 2013

		Firms		Personnel		Turnover		GVA		Personnel Expenses	
Size		N	%	N	%	10 <sup>6</sup> €	%	10 <sup>6</sup> €	%	10 <sup>6</sup> €	%
	SME	1 096 535	99,9	2 715 313	80,5	186 611	58,8	45 541	62,5	29 422	67,4
	Micro	1 055 879	96,2	1 585 835	47,0	60 172	19,0	15 507	21,3	9 159	21,0
	Small	35 100	3,2	639 835	19,0	61 271	19,3	14 493	19,9	10 275	23,5
	Medium	5 556	0,5	489 643	14,5	65 167	20,5	15 541	21,3	9 988	22,9
	Large	957	0,1	658 205	19,5	130 722	41,2	27 381	37,5	14 246	32,6

Source: INE, SCIE, 2013

## Appendix D

### NSRF – COMPETE

Citing COMPETE's website<sup>13</sup>, the goal of the program is “the sustained improvement of the competitiveness of the economy within a European and global challenge”.



One of the areas of COMPETE is “Qualification | Internationalization of SMEs”, where the trade missions are integrated.

#### Relevant aspects regarding trade missions:

- The programs finances 45% of the total cost the companies have with the trade mission;
- Eligible sectors of activity<sup>14</sup>
  - Industry;
  - Commerce;
  - Services;
  - Tourism;
  - Energy
  - Transport and logistics;
  - Construction.
- Companies located in the regions of Lisbon or Algarve or in the autonomous regions of Azores and Madeira are not eligible;
- Companies that are not SMEs may be accepted if it is proved that their presence will result in a greater effectiveness of the project. These companies cannot exceed 20% of the total number of participating companies.

<sup>13</sup> <http://www.pofc.qren.pt/compete>.

<sup>14</sup> More detailed information in COMPETE – NSRF's website: <http://www.pofc.qren.pt/areas-do-compete/incentivos-as-empresas/qualificacao-e-internacionalizacao-pme>.

## Appendix E

### *“Ir para fora à boleia das grandes” – CCIP*

CCIP has a project similar to what is proposed by the interviewee: “Ir para fora à boleia das grandes”<sup>15</sup>

The project works through a mobile app. When someone working in a large company identifies a business opportunity in a market in which the firm is already present introduces that information in the app. Then, CCIP will check what associated SMEs would be interested in that opportunity.

Besides that, CCIP also organizes meetings in which the associated large companies not only share their experiences but also help SMEs to explore the markets, putting them in contact with the right players in the local market.<sup>16</sup>

If there are many companies interested in a certain market, CCIP organizes a trade mission there.

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<sup>15</sup> “Enter in external markets with the help of large companies”.

<sup>16</sup> More information in CCIP’s website: <http://www.ccip.pt/pt/o-que-fazemos/internacionalizacao#projecto-à-boleia-das-grandes>.